



Interoffice Memorandum

TO File

DATE 10 August 1964

FROM

TEL. EXT. 3294

FILE

STAT

SUBJECT Purchase Order Numbers 178483 and 178484
Varian Associates - Projects 3060 and 1900

REF: A. Purchasing/Project 1921 memo dated 9/18/63
B. Bid Tabulation Sheet - Purchase Order #155639, Project #1921
C. Bid Tabulation Sheet - Purchase Order #161580, Project #3030
D. Varian Associates letter dated 6/19/64
E. Cost Analyst memo to File dated 8/11/64

1. This memorandum will summarize the procurement action supporting the award to Varian Associates of two Purchase Orders for a total of 90 Backward Wave Oscillators, totaling \$208,500.00. Both orders are follow-on procurements to Projects 1921 and 3030. This memo will cover the period starting 6 September 1963 to the present.
2. The first procurement of the subject BWOs was under Project 1921 and took place in September 1963 (See Reference B.) and at that time the following vendors were considered and reviewed:

Bendix Aviation
Hughes Microwave Tube
Raytheon Company
Stewart Engineering
Sylvania Electric Company
Varian Associates

Extensive technical negotiations ensued with the resulting award to Varian Associates. The award was made to Varian Associates on the basis of lowest price, acceptable delivery and satisfactory technical ability.

3. Qualification Testing by the Seller was not previously required and is likewise not required under the subject purchase orders.
4. For further details supporting the award of Purchase Order Number 155639 see Buyer's memo to File (Reference A.) dated 18 September 1963.
5. The following is an extract of quantities and prices on Purchase Order Number 155639:

<u>PROJECT</u>	<u>QUANTITY</u>	<u>PART NUMBER</u>	<u>UNIT PRICE</u>
1921	6 ea.	216013-1 D Rev.	\$ 1,805.00
	6 ea.	216012-1 D Rev.	2,355.00
	6 ea.	216031-1 D Rev.	4,570.00

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6. In December 1963 Purchase Order #161580 was placed with Varian for a total of six BW0's under Project 3030. The award was made on the basis of previous negotiations on Purchase Order #155639.

The following is an extract of Purchase Order No. 161580:

<u>PROJECT</u>	<u>JOB NO.</u>	<u>QUANTITY</u>	<u>PART NUMBER</u>	<u>UNIT PRICE</u>
3030	02	2	216013-1 D Rev.	\$1,805.00
		2	216012-1 D Rev.	2,355.00
		2	216031-1 D Rev.	4,570.00

7. At the time of this writing there has been authorized via the issuance of duly signed requisitions, the procurement of the following quantities of BW0s:

<u>PROJECT</u>	<u>QUANTITY</u>	
3060	12	216013-2 D Rev. and ECNs #25558A, 30009A
1941	18	216013-2 D Rev. and ECNs #25558A, 30009A
3060	12	216012-2 E Rev.
1941	18	216012-2 E Rev.
3060	12	216031-2 D Rev. and ECNs #25555A, 30010A
1941	18	216031-2 D Rev. and ECNs #25555A, 30010A

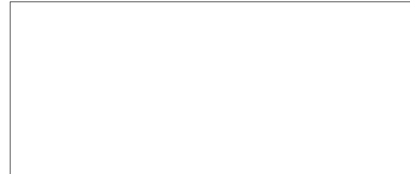
8. Varian offered the following proposal (dated 6/19/64) to AIL for the ninety tubes specified in Paragraph 7 above:

- a. 30 ea. 216013 @ \$1,450.00
 30 ea. 216012 @ \$1,930.00
 30 ea. 216031 @ \$3,950.00
- b. The -1 and -2 versions of each of the three tube types may be combined for quantity/price advantage.
- c. If AIL purchases additional tubes between August 1964 and December 31, 1964, the following prices will apply and the total number of tubes ordered by December 1964 will be retroactively adjusted:

<u>QUANTITY</u>	<u>AIL DRAWING</u>	<u>UNIT PRICE</u>
25 - 74	216013-1, 2	\$1,505.00
75 - 150	216013-1, 2	1,450.00
25 - 74	216012-1, 2	2,020.00
75 - 150	216012-1, 2	1,930.00
25 - 74	216031-1, 2	4,150.00
75 - 150	216031-1, 2	3,950.00

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9. Final negotiations with Varian resulted in the following:
 - a. We succeeded in driving the unit price down as shown in Schedule A attached, which resulted in a cost savings of \$11,400.00 on ninety tubes.
 - b. We have, furthermore, extended the cut off date on combining total tube quantities for retroactive price adjustments from December 1964 to 1 August 1965.
10. It is in the best interest of AIL and the Government to award Purchase Order Number 178483 to Varian Associates for the requirement on Project 1900 and Purchase Order No. 178484 for the requirement on Project 3060. The final negotiated prices are considered fair and reasonable.



25X1

NLP/mz

SCHEDULE "A"

	<u>30 EACH AIL #216012</u> AIL		<u>30 EACH AIL #216013</u> AIL		<u>30 EACH AIL #216031</u> AIL		
	<u>PROPOSED</u>	<u>RECOMMENDED</u>	<u>PROPOSED</u>	<u>RECOMMENDED</u>	<u>PROPOSED</u>	<u>RECOMMENDED</u>	
TOTAL COST	1,875.00	1,621.00	1,403.00	1,213.00	3,907.00	3,370.00	A
PROFIT	394.00	226.94	295.00	169.82	820.00	471.80	B
SELLING PRICE	2,269.00	1,847.94	1,698.00	1,382.82	4,427.00	3,841.80	
QUOTED PRICE	1,930.00	- - -	1,450.00	- - -	3,950.00	- - -	C
FINAL NEGOTIATED PRICE		1,800.00	- - -	1,350.00	- - -	3,800.00	D

A - AIL recommended figure based on cost element questioned by AIL cost analysis.

B - AIL recommended profit of 14% considered to be fair and reasonable.

C - Price offered by Varian's management as a bottom-line reduction.

D - Final price negotiated by AIL on a bottom-line basis.